

# Media Release

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### Pensions to increase on 20 March

Around four million Australians will receive an increase in their pensions and other income support payments from 20 March 2010, through indexation.

Pension payments will increase by \$29.20 a fortnight for singles on the maximum rate, and \$44.00 a fortnight for couples combined on the maximum rate.

Following these increases, total pension payments for those on the maximum rate, including the base rate and pension supplement, will be:

- \$701.10 a fortnight for singles, and
- \$1,057.00 a fortnight for couples combined.

These new rates represent an increase of around \$100 per fortnight for singles and around \$74 a fortnight for couples combined in pension payments, as a result of the Government's pension increases in September and indexation.

These pension rises deliver on the Rudd Government's commitment to improve support to older Australians.

After years of neglect, the Government has overhauled the pension system to make it adequate and sustainable for the millions of age and disability pensioners, carers and veterans who depend on it.

This March pension indexation increase is driven by wages growth in the six months to December 2009.

Pensions are indexed twice a year to the highest increase of three measures: the consumer price index (CPI), the pensioner living cost index, and growth in male total average weekly earnings (MTAWE).

The Government's Pension Reforms increased the effective benchmark for singles from 25 per cent to 27.7 per cent of MTAWE.

People eligible for the Age Pension, Disability Support Pension (adult rate), Carer Payment, veteran income support payments, Wife Pension, Widow B Pension and Bereavement Allowance will all benefit from the increases.

Parenting Payment will also increase on 20 March, by \$26.80 a fortnight for singles. Adult rates of allowances, such as Newstart, and supplementary payments are also indexed on 20 March each year to the CPI increase for the previous six months. Allowance rates for single people (21 or over, without children) will increase by \$6.80 a fortnight.

Rent assistance will also increase.

These increases in payments will be accompanied by an increase in the income and assets cut out amounts. This will see an increase in the amount of income, from for example employment or investments, or the total value of assets, a person can have before their benefit is cancelled.

### **Deeming rate changes**

As the economy recovers from the global economic crisis, rates of return on investments are also beginning to increase.

As a result, the deeming rates, which are used to assess income from a range of financial investments held by pensioners and other income support recipients, will also increase on 20 March from the record low levels during the global economic crisis.

The lower deeming rate will increase from two per cent to three per cent for financial investments up to \$42,000 for single pensioners or \$70,000 for a couple.

The deeming rate will increase from three per cent to four and a half per cent for balances over these amounts.

Age pensioners, on average, hold around \$46,000 of deemed financial assets such as cash, term deposits, shares and managed funds.

The deeming system, introduced in the early 1990s, sets a rate of return that pensioners can reasonably be expected to achieve on their financial investments. The deemed income calculated from a pensioner's financial investments is used for the pension income test, rather than the actual income. This helps provide certainty to pensioners week to week.

Pensioners with financial investments that attract higher returns than the deeming rates will still only have their income assessed at the deeming rates. Any additional income from the financial investments are not assessed. Cash term deposit interest rates available at the major banks are now around six per cent per annum.

Deeming rates are set by the Australian Government to reflect returns on financial investments available to pensioners and other income support recipients. The new deeming rates remain lower than when the Government came to office.

A regular revaluation of all shares and managed investments held by pensioners will also be undertaken by Centrelink on 20 March 2010. This occurs automatically every six months, and pensioners can also request an individual revaluation at any time.

Payments affected by the deeming rates include means tested payments, such as the Age Pension, Disability Support Pension, Carer Payment, Parenting Payment and Newstart.

Full details of all rates and thresholds to be indexed on 20 March are available at [www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/index\\_table\\_030310.htm](http://www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/index_table_030310.htm)

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